

106TH CONGRESS  
1ST SESSION

# H. R. 1344

To promote and improve access to health care services in rural areas.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 25, 1999

Mr. NUSSLE (for himself, Mr. MCINTYRE, Mrs. EMERSON, Mr. STENHOLM, Mr. BEREUTER, Mr. KIND, Mr. MORAN of Kansas, Mr. OBERSTAR, Mr. THORNBERRY, Mr. STUPAK, Mr. HILL of Montana, Mr. DEFazio, Mr. PETERSON of Pennsylvania, Mr. HILLIARD, Mr. BERRY, Mr. HERGER, Mr. LEACH, Mr. LATHAM, Mr. MCHUGH, Mr. NEY, Mr. NORWOOD, Mr. MASCARA, Mr. WALSH, Mr. FROST, Mr. BOSWELL, Mr. SKELTON, Mr. BAIRD, Mr. FALEOMAVAEGA, Mr. PHELPS, Mr. BARRETT of Nebraska, Mr. BOUCHER, and Mr. RAHALL) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To promote and improve access to health care services in rural areas.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “Triple-A Rural Health Improvement Act of 1999”.

- 1 (b) TABLE OF CONTENTS.—The table of contents for  
 2 this Act is as follows:

Sec. 1. Short title; table of contents.  
 Sec. 2. Findings.

# TITLE I—PROMOTING ACCESS TO HEALTH CARE SERVICES IN RURAL AREAS UNDER THE MEDICARE PROGRAM

## Subtitle A—Hospital-Related Payment Provisions

Sec. 101. Establishing payment floor for medicare hospital outpatient prospective payment system.  
 Sec. 102. Repeal of restriction on medicare payment for certain hospital discharges to post-acute care.  
 Sec. 103. Sole community hospitals.  
 Sec. 104. Critical access hospitals.  
 Sec. 105. Graduate medical education technical amendments.  
 Sec. 106. Medicare-dependent, small rural hospitals.  
 Sec. 107. Geographic reclassification for purposes of DSH payments.  
 Sec. 108. Revision of guidelines for geographic reclassification by wage index.  
 Sec. 109. Hospital geographic reclassification for labor costs for all items and services reimbursed under prospective payment systems.

## Subtitle B—Medicare+Choice

Sec. 111. Payments to Medicare+Choice organizations.  
 Sec. 112. Repeal of phase out of medicare reasonable cost reimbursement contracts.  
 Sec. 113. Medicare+Choice rural demonstration project.

## Subtitle C—General Payment Provisions

Sec. 121. Direct medicare payment for physician assistants, nurse practitioners, and clinical nurse specialists practicing in underserved rural areas.  
 Sec. 122. Coverage of qualified mental health professional services under medicare.  
 Sec. 123. Medicare waivers for providers in rural areas.  
 Sec. 124. Safe harbor under the anti-kickback statute for hospital restocking of certain ambulance drugs and supplies.

# TITLE II—PROMOTING ACCESS TO HEALTH CARE SERVICES IN RURAL AREAS UNDER THE MEDICAID PROGRAM

Sec. 201. Continuation of pre-BBA medicaid reimbursement rules for federally qualified health centers and rural health clinics.  
 Sec. 202. Medicaid coverage of physicians' assistants.

# TITLE III—PROMOTING ACCESS TO HEALTH CARE SERVICES IN RURAL AREAS UNDER THE INTERNAL REVENUE CODE

Sec. 301. Exclusion of certain amounts received under the National Health Service Corps Scholarship Program.  
 Sec. 302. Issuance of tax-exempt bonds by organizations providing rescue and emergency medical services.

Sec. 303. Bank deductibility of small, tax-exempt debts.

#### TITLE IV—ADDITIONAL PROVISIONS TO ADDRESS SHORTAGES OF HEALTH PROFESSIONALS IN RURAL AREAS

Sec. 401. Requirement for rural impact Statements for health care regulations.

Sec. 402. Health professional shortage areas.

Sec. 403. Access to data.

Sec. 404. Designation of underserved areas under health care contracts administered by the Office of Personnel Management.

Sec. 405. Revision of methodology for designation of health professional shortage areas.

Sec. 406. Sense of Congress regarding the reserve corps of the commissioned corps of the public health service.

#### TITLE V—TELEMEDICINE

##### Subtitle A—Improvements to the Medicare Program

Sec. 501. Improvement of telehealth services.

Sec. 502. Joint working group on telehealth.

##### Subtitle B—Development of Telehealth Networks

Sec. 511. Development.

Sec. 512. Administration.

Sec. 513. Guidelines.

Sec. 514. Authorization of appropriations.

## 1 **SEC. 2. FINDINGS.**

2 Congress makes the following findings:

3 (1) Rural communities have long had great dif-  
4 ficulty recruiting and retaining health care providers  
5 to serve the needs of their residents.

6 (2) Despite great increases in the production of  
7 providers in this country (the number of individuals  
8 per physician fell from 724 in 1965 to 375 in 1995),  
9 individuals living in rural areas have not shared eq-  
10 uitably in the benefits of this expansion.

11 (3) Over 51,000,000 Americans live in rural  
12 areas, making up approximately 20 percent of the  
13 population. Further, 22,000,000 rural Americans

1 live in a federally designated Health Professional  
2 Shortage Area.

3 (4) The following conditions are characteristic  
4 of rural populations:

5 (A) The relative lack of health care re-  
6 sources as compared to urban areas.

7 (B) The uneven pattern of disease burden.

8 (C) The idiosyncratic distribution of pro-  
9 grams and resources resulting from policy vari-  
10 ations across the nation.

11 (5) Of the non-metropolitan counties in the  
12 United States, 20 percent are considered frontier  
13 counties, with six or fewer people per square mile.  
14 Seven million Americans live in frontier areas.

15 **TITLE I—PROMOTING ACCESS**  
16 **TO HEALTH CARE SERVICES**  
17 **IN RURAL AREAS UNDER THE**  
18 **MEDICARE PROGRAM**

19 **Subtitle A—Hospital-Related**  
20 **Payment Provisions**

21 **SEC. 101. ESTABLISHING PAYMENT FLOOR FOR MEDICARE**  
22 **HOSPITAL OUTPATIENT PROSPECTIVE PAY-**  
23 **MENT SYSTEM.**

24 (a) IN GENERAL.—Section 1833(t)(1) of the Social  
25 Security Act (42 U.S.C. 1395l(t)(1)) is amended—

1 (1) in subparagraph (B), by striking “For pur-  
 2 poses of this” and inserting “Subject to subpara-  
 3 graph (C), for purposes of this”; and

4 (2) by adding at the end the following new sub-  
 5 paragraph:

6 “(C) EXCLUSION FOR SERVICES FURNISHED BY  
 7 SMALL RURAL PROVIDERS.—Such term does not in-  
 8 clude services furnished by any of the following:

9 “(i) A medicare-dependent, small rural  
 10 hospital, as defined in section  
 11 1886(d)(5)(G)(iv).

12 “(ii) A critical access hospital, as defined  
 13 in section 1861(mm)(1).

14 “(iii) A sole community hospital, as de-  
 15 fined in section 1886(d)(5)(D)(iii).”.

16 (b) EFFECTIVE DATE.—The amendment made by  
 17 subsection (a) applies to payment for covered OPD serv-  
 18 ices furnished on or after January 1, 2000.

19 **SEC. 102. REPEAL OF RESTRICTION ON MEDICARE PAY-**  
 20 **MENT FOR CERTAIN HOSPITAL DISCHARGES**  
 21 **TO POST-ACUTE CARE.**

22 (a) IN GENERAL.—Section 1886(d)(5) of the Social  
 23 Security Act (42 U.S.C. 1395ww(d)(5)) is amended—

1           (1) in subparagraph (I)(ii), by striking “not  
2       taking in account the effect of subparagraph (J),”,  
3       and

4           (2) by striking subparagraph (J).

5       (b) **EFFECTIVE DATE.**—The amendments made by  
6       subsection (a) apply to discharges occurring on or after  
7       January 1, 2000.

8       **SEC. 103. SOLE COMMUNITY HOSPITALS.**

9       (a) **IN GENERAL.**—Section 1886(b)(3)(C) of the So-  
10      cial Security Act (42 U.S.C. 1395ww(b)(3)(C)) is  
11      amended—

12           (1) in clause (i), by redesignating subclauses (I)  
13      and (II) as items (aa) and (bb), respectively;

14           (2) by redesignating clauses (i), (ii), (iii), and  
15      (iv) as subclauses (I), (II), (III), and (IV), respec-  
16      tively;

17           (3) by striking “(C) In” and inserting “(C)(i)  
18      Subject to clause (ii), in”; and

19           (4) by striking the last sentence and inserting  
20      the following new clause:

21      “(ii)(I) There shall be substituted for the base cost  
22      reporting period described in clause (i)(I) a hospital’s cost  
23      reporting period (if any) beginning during fiscal year 1987  
24      if such substitution results in an increase in the target  
25      amount for the hospital.

1       “(II) Beginning with discharges occurring in cost re-  
2    porting periods beginning in fiscal year 2000, there shall  
3    be substituted for the base cost reporting period described  
4    in clause (i)(I) either—

5               “(aa) the allowable operating costs of inpatient  
6       hospital services (as defined in subsection (a)(4))  
7       recognized under this title for the hospital’s cost re-  
8       porting period (if any) beginning during fiscal year  
9       1995 increased (in a compounded manner) by the  
10      applicable percentage increases applied to the hos-  
11      pital under this paragraph for discharges occurring  
12      in fiscal years 1996, 1997, 1998, and 1999, or

13              “(bb) the allowable operating costs of inpatient  
14      hospital services (as defined in subsection (a)(4))  
15      recognized under this title for the hospital’s cost re-  
16      porting period (if any) beginning during fiscal year  
17      1996 increased (in a compounded manner) by the  
18      applicable percentage increases applied to the hos-  
19      pital under this paragraph for discharges occurring  
20      in fiscal years 1997, 1998, and 1999,

21    if such substitution results in an increase in the target  
22    amount for the hospital.”.

23       (b) ELIGIBILITY FOR GEOGRAPHIC RECLASSIFICA-  
24    TION WITHOUT REGARD TO WAGE INDEX THRESHOLD.—

1           (1) IN GENERAL.—Section 1886(d)(10)(D)(iii)  
 2       of such Act (42 U.S.C. 1395ww(d)(10)(D)(iii)) is  
 3       amended by inserting “or a sole community hospital  
 4       under paragraph (5)(D)” after “a rural referral cen-  
 5       ter under paragraph (5)(C)”.

6           (2) EFFECTIVE DATE.—The amendment made  
 7       by paragraph (1) shall take effect on January 1,  
 8       2000, and apply with respect to applications sub-  
 9       mitted for geographic reclassification for cost report-  
 10      ing periods beginning on or after such date.

11 **SEC. 104. CRITICAL ACCESS HOSPITALS.**

12       (a) CONVERSION OF RECENTLY CLOSED HOSPITALS  
 13      TO CRITICAL ACCESS HOSPITALS.—

14           (1) IN GENERAL.—Section 1820(c)(2) of the  
 15      Social Security Act (42 U.S.C. 1395i–4(c)(2)) is  
 16      amended by adding at the end the following new  
 17      subparagraph:

18           “(C) RECENTLY CLOSED FACILITIES.—A  
 19      State may designate a facility as a critical ac-  
 20      cess hospital if the facility—

21                   “(i) within the 3-year period ending  
 22                   on the date of enactment of this  
 23                   subparagraph—

24                                   “(I) ceased operations; or



1                   “(II) was a nonprofit or public  
2                   hospital that was downsized to a clin-  
3                   ic; and

4                   “(ii) would, after being designated as  
5                   a critical access hospital, meet the require-  
6                   ments of subparagraph (B).”.

7                   (2) EFFECTIVE DATE.—The amendment made  
8                   by paragraph (1) shall take effect on the date of en-  
9                   actment of this Act.

10                  (b) ALL-INCLUSIVE PAYMENT OPTION FOR OUT-  
11 PATIENT CRITICAL ACCESS HOSPITAL SERVICES.—

12                   (1) IN GENERAL.—Section 1834(g) of the So-  
13                   cial Security Act (42 U.S.C. 1395m(g)) is amended  
14                   to read as follows:

15                   “(g) PAYMENT FOR OUTPATIENT CRITICAL ACCESS  
16 HOSPITAL SERVICES.—The amount of payment under  
17 this part for outpatient critical access hospital services is  
18 the amount determined under one of the two following  
19 methods, as elected by the critical access hospital:

20                   “(1) REASONABLE COSTS.—There shall be paid  
21                   amounts equal to the reasonable costs of the critical  
22                   access hospital in providing such services.

23                   “(2) ALL-INCLUSIVE RATE.—With respect to  
24                   both facility services and professional medical serv-  
25                   ices, there shall be paid amounts equal to the costs

1       which are reasonable and related to the cost of fur-  
2       nishing such services or which are based on such  
3       other tests of reasonableness as the Secretary may  
4       prescribe in regulations, less the amount the hospital  
5       may charge as described in clause (i) of section  
6       1866(a)(2)(A), but in no case may the payment for  
7       such services (other than for items and services de-  
8       scribed in section 1861(s)(10)(A)) exceed 80 percent  
9       of such costs.

10   The amount of payment shall be determined under either  
11   method without regard to the amount of the customary  
12   or other charge.”.

13           (2) EFFECTIVE DATE.—The amendment made  
14   by paragraph (1) shall take effect as if included in  
15   the enactment of the Balanced Budget Act of 1997.

16   (c) ELIGIBILITY FOR PAYMENTS UNDER THE MED-  
17   ICAID PROGRAM.—

18           (1) IN GENERAL.—Section 1905(a) of the So-  
19   cial Security Act (42 U.S.C. 1396d(a)) is  
20   amended—

21                   (A) by striking “and” at the end of para-  
22                   graph (26);

23                   (B) by redesignating paragraph (27) as  
24                   paragraph (28); and

1 (C) by inserting after paragraph (26) the  
 2 following new paragraph:

3 “(27) services furnished by a critical access  
 4 hospital (as defined section 1861(mm)(1); and”.

5 (2) EFFECTIVE DATE.—The amendments made  
 6 by paragraph (1) apply with respect to items and  
 7 services furnished on or after January 1, 2000.

8 (d) ACCREDITATION.—The last sentence of section  
 9 1861(e) of such Act (42 U.S.C. 1395x(e)) is amended to  
 10 read as follows:

11 “The term ‘hospital’ does not include a critical access hos-  
 12 pital (as defined in section 1861(mm)(1)), unless the con-  
 13 text otherwise requires, or unless a critical access hospital  
 14 applies for accreditation by the Joint Commission on Ac-  
 15 creditation of Hospitals.”.

16 **SEC. 105. GRADUATE MEDICAL EDUCATION TECHNICAL**  
 17 **AMENDMENTS.**

18 (a) INDIRECT GRADUATE MEDICAL EDUCATION AD-  
 19 JUSTMENT.—

20 (1) IN GENERAL.—Section 1886(d)(5)(B)(v) of  
 21 the Social Security Act (42 U.S.C.  
 22 1395ww(d)(5)(B)(v)) is amended to read as follows:

23 “(v)(I) In determining the adjustment with re-  
 24 spect to a hospital that sponsors more than one  
 25 allopathic or osteopathic residency training program

1 for discharges occurring on or after October 1,  
2 1997, the total number of full-time equivalent in-  
3 terns and residents in the fields of allopathic and os-  
4 teopathic medicine in either a hospital or nonhos-  
5 pital setting may not exceed the number of such full-  
6 time equivalent interns and residents who partici-  
7 pated, or who but for an approved leave would have  
8 participated, in the hospital's approved medical resi-  
9 dency training programs for the hospital's most re-  
10 cent cost reporting period ending on or before De-  
11 cember 31, 1996.

12 “(II) In determining the adjustment with re-  
13 spect to a hospital that sponsors only one allopathic  
14 or osteopathic residency program for discharges oc-  
15 ccurring on or after October 1, 1997, the total num-  
16 ber of full-time equivalent interns and residents in  
17 the fields of allopathic and osteopathic medicine who  
18 participated, or who but for an approved leave would  
19 have participated, in the hospital's medical residency  
20 training program may be increased by not more  
21 than one for any calendar year, and may not exceed  
22 a total of three more than the number appointed in  
23 either a hospital or nonhospital setting for the hos-  
24 pital's most recent cost reporting period ending on  
25 or before December 31, 1996.”.

1           (2)     TECHNICAL     AMENDMENTS.—Section  
 2     1886(d)(5)(B)     of     such     Act     (42     U.S.C.  
 3     1395ww(d)(5)(B)) is amended by moving clauses (ii)  
 4     and (vi) two ems to the left.

5     (b) DIRECT GRADUATE MEDICAL EDUCATION AD-  
 6 JUSTMENT.—

7           (1) LIMITATION ON NUMBER OF RESIDENTS.—  
 8     Section 1886(h)(4)(F) of the Social Security Act (42  
 9     U.S.C. 1395ww(h)(4)(F)) is amended by inserting  
 10    “who participated, or who but for an approved leave  
 11    would have participated, in the hospital’s medical  
 12    residency training programs” after “may not exceed  
 13    the number of such full-time equivalent residents”.

14          (2) FUNDING.—

15           (A) NEW PROGRAMS.—The first sentence  
 16     of section 1886(h)(4)(H)(i) of such Act (42  
 17     U.S.C. 1935ww(h)(4)(H)(i)) is amended by in-  
 18     serting “and before September 30, 1999” after  
 19     “January 1, 1995”.

20           (B) PROGRAMS MEETING RURAL NEEDS.—  
 21     The second sentence of such section is amended  
 22     by striking the period at the end and inserting  
 23     “, including facilities that are not located in an  
 24     underserved rural area but have established

1 separately accredited approved medical resi-  
 2 dency training programs in such an area.”.

3 (c) EFFECTIVE DATE.—The amendments made by  
 4 this section shall take effect as if included in the enact-  
 5 ment of the Balanced Budget Act of 1997.

6 **SEC. 106. MEDICARE-DEPENDENT SMALL RURAL HOS-**  
 7 **PITALS.**

8 (a) REDUCTION IN ELIGIBILITY DISCHARGE PER-  
 9 CENTAGE.—Section 1886(d)(5)(G)(iv)(IV) of the Social  
 10 Security Act (42 U.S.C. 1395ww(d)(5)(G)(iv)(IV)) is  
 11 amended by striking “60” and inserting “50”.

12 (b) REBASING FOR DISCHARGES DURING THE MOST  
 13 CURRENT AUDITED FISCAL YEAR.—Section  
 14 1886(b)(3)(D) of the Social Security Act (42 U.S.C.  
 15 1395ww(b)(3)(D) is amended—

16 (1) in the second sentence, by striking “begin-  
 17 ning during fiscal year 1987” and inserting “ending  
 18 during fiscal year 1998”; and

19 (2) by adding at the end the following new sen-  
 20 tence: “An increase in the target amount by reason  
 21 of the previous sentence shall have no effect on the  
 22 classification of a hospital as a medicare-dependent,  
 23 small rural hospital.”.

1 (c) EFFECTIVE DATE.—The amendments made by  
 2 this section shall apply with respect to discharges occur-  
 3 ring on or after October 1, 1999.

4 **SEC. 107. GEOGRAPHIC RECLASSIFICATION FOR PURPOSES**  
 5 **OF DSH PAYMENTS.**

6 (a) IN GENERAL.—Section 1886(d)(10)(C)(i) of the  
 7 Social Security Act (42 U.S.C. 1395ww(d)(10)(C)(i)) is  
 8 amended—

9 (1) by striking “or” at the end of subclause (I);

10 (2) by striking the period at the end of sub-  
 11 clause (II) and inserting “, or”; and

12 (3) by adding at the end the following new sub-  
 13 clause:

14 “(III) eligibility for and amount of additional  
 15 payments under paragraph (5)(F).

16 In the case of a hospital with an application approved  
 17 under subclause (I) to change the hospital’s geographic  
 18 classification for a fiscal year, such change in the hos-  
 19 pital’s geographic classification for that fiscal year shall  
 20 apply to such hospital for purposes of subclause (III).”.

21 (b) APPLICABLE GUIDELINES.—Section  
 22 1886(d)(10)(D) of such Act (42 U.S.C.  
 23 1395ww(d)(10)(D)) is amended—

24 (1) in clause (i), by adding at the end the fol-  
 25 lowing new subclause:

1 “(V) Guidelines for considering applications  
2 under subparagraph (C)(i)(III) of determining eligi-  
3 bility for and amount of additional payments under  
4 paragraph (5)(F).”;

5 (2) by redesignating clause (iv) as clause (v);

6 (3) by inserting after clause (iii) the following  
7 new clause:

8 “(iv) Under the guidelines published by the Secretary  
9 under clause (i)(V), the Board shall not reject an applica-  
10 tion to change a hospital’s geographic classification under  
11 subparagraph (C)(i)(I) because the change in the hos-  
12 pital’s geographic classification for that fiscal year does  
13 not result in an increase in the average standardized  
14 amount for that hospital.”; and

15 (4) in clause (v), as so redesignated by para-  
16 graph (2)—

17 (A) by inserting “(I)” after “(v)”;

18 (B) by striking “The” and inserting “Ex-  
19 cept as provided in subclause (II), the”; and

20 (C) by adding at the end the following new  
21 subclause:

22 “(II) The Secretary shall publish the guidelines de-  
23 scribed in subclause (V) of clause (i) by January 1,  
24 2000.”.



1 (c) EFFECTIVE DATE.—The amendments made by  
 2 subsection (a) take effect on January 1, 2000, and apply  
 3 with respect to applications for geographic reclassification  
 4 submitted for cost reporting periods beginning on or after  
 5 such date.

6 **SEC. 108. REVISION OF GUIDELINES FOR GEOGRAPHIC RE-**  
 7 **CLASSIFICATION BY WAGE INDEX.**

8 (a) AVERAGE HOURLY WAGE WEIGHTED FOR OCCU-  
 9 PATIONAL MIX.—Section 1886(d)(10)(D)(i)(I) of the So-  
 10 cial Security Act (42 U.S.C. 1395ww(d)(10)(D)(i)(I)) is  
 11 amended to read as follows:

12 “(I) Guidelines for comparing a hospital’s aver-  
 13 age hourly wage to the average hourly wage of hos-  
 14 pitals in the area in which the hospital is classified,  
 15 guidelines for comparing a hospital’s average hourly  
 16 wage to the average hourly wage of hospitals in the  
 17 area in which the hospital is applying to be classi-  
 18 fied, and guidelines for comparing a hospital’s aver-  
 19 age hourly wage adjusted by the occupational mix of  
 20 the area in which the hospital is applying to be clas-  
 21 sified to the average hourly wage of hospitals in such  
 22 area.”.

23 (b) DATA COLLECTION REQUIREMENT.—Section  
 24 1886(d)(10)(D) of such Act (42 U.S.C.

1 1395ww(d)(10)(D)), as amended by section 107(b), is fur-  
2 ther amended—

3 (1) by redesignating clause (v) as clause (vi);

4 (2) by inserting after clause (iv) the following  
5 new clause:

6 “(v) For purposes of considering an application under  
7 subparagraph (C)(i)(II), the Secretary shall collect and  
8 update every three years such information as is necessary  
9 to compare a hospital’s wages weighted by the occupa-  
10 tional mix of hospitals in the area in which the hospital  
11 is applying to be classified, or the Board shall, in consid-  
12 ering such an application, apply the most current available  
13 information with respect to such wages collected by the  
14 American Hospital Association.”; and

15 (3) in clause (vi), as so redesignated by para-  
16 graph (1), by inserting “subclause (I), as amended  
17 by the Triple-A Rural Health Improvement Act of  
18 1999, and” before “subclause (III) of clause (i) by  
19 January 1, 2000.”.

20 (c) EFFECTIVE DATE.—The amendments made by  
21 subsections (a) and (b) take effect on January 1, 2000,  
22 and apply with respect to applications for geographic re-  
23 classification for cost reporting periods beginning on or  
24 after such date.

1 (d) REPORT TO CONGRESS.—Not later than one year  
 2 after the date of the enactment of this Act, the Secretary  
 3 shall submit to Congress a report describing revised meth-  
 4 odology to compute hospital wage indices, for purposes of  
 5 adjustments in payment amounts to hospitals under the  
 6 medicare program, that reflect legitimate differences in  
 7 hospital wage rates by area, but that do not rely on aver-  
 8 age per employee expenditures.

9 (e) SENSE OF CONGRESS.—It is the Sense of the  
 10 Congress that the adjustment in payment amounts to hos-  
 11 pitals under the medicare program to reflect variations in  
 12 the costs of wages and wage-related costs of hospitals,  
 13 under section 1886(d)(3)(E) of the Social Security Act  
 14 (42 U.S.C. 1395ww(d)(3)(E)), should only be used with  
 15 respect to payments made on a prospective basis to such  
 16 hospitals for inpatient hospital services. Such adjustment  
 17 should not be applied to payment amounts for any other  
 18 item or service reimbursed under the medicare program.

19 **SEC. 109. HOSPITAL GEOGRAPHIC RECLASSIFICATION FOR**  
 20 **LABOR COSTS FOR ALL ITEMS AND SERVICES**  
 21 **REIMBURSED UNDER PROSPECTIVE PAY-**  
 22 **MENT SYSTEMS.**

23 (a) IN GENERAL.—Section 1886 of the Social Secu-  
 24 rity Act (42 U.S.C. 1395ww) is amended by adding at the  
 25 end the following new subsection:

1       “(1) APPLICATION OF HOSPITAL GEOGRAPHIC RE-  
2 CLASSIFICATION FOR INPATIENT SERVICES TO ALL HOS-  
3 PITAL FURNISHED ITEMS AND SERVICES REIMBURSED  
4 UNDER PROSPECTIVE PAYMENT SYSTEM.—

5           “(1) IN GENERAL.—In the case of a hospital  
6 with an application to the Medicare Geographic  
7 Classification Review Board under subsection  
8 (d)(10)(C) to change the hospital’s geographic clas-  
9 sification for a fiscal year for purposes of the factor  
10 used to adjust the DRG prospective payment rate  
11 for area differences in hospital wage levels that ap-  
12 plies to such hospital under subsection (d)(3)(E)  
13 that has been approved, the change in the hospital’s  
14 geographic classification for such purposes shall  
15 apply for purposes of adjustments to payments for  
16 variations in costs which are attributable to wages  
17 and wage-related costs for all pps-reimbursed items  
18 and services.

19           “(2) PPS-REIMBURSED ITEMS AND SERVICES  
20 DEFINED.—For purposes of paragraph (1), the term  
21 ‘pps-reimbursed items and services’ means, for cost  
22 reporting periods beginning during the fiscal year  
23 for which such change has been approved, items and  
24 services furnished by the hospital, or by an entity or  
25 department of the hospital which is provider-based

1 (as determined by the Secretary), for which  
 2 payments—

3 “(A) are made under this title on a pro-  
 4 spective basis; and

5 “(B) are adjusted for variations in costs  
 6 which are attributable to wages and wage-re-  
 7 lated costs.”.

8 (b) EFFECTIVE DATE.—The amendment made by  
 9 subsection (a) shall apply to items and services furnished  
 10 on or after January 1, 2000.

## 11 **Subtitle B—Medicare+Choice**

### 12 **SEC. 111. PAYMENTS TO MEDICARE+CHOICE ORGANIZA-** 13 **TIONS.**

14 (a) ADJUSTMENT TO CALCULATION OF ANNUAL  
 15 CAPITATION RATES.—Section 1853(c) of the Social Secu-  
 16 rity Act (42 U.S.C. 1395w–23(c)) is amended—

17 (1) in paragraph (1)—

18 (A) in subparagraph (A), by striking the  
 19 comma at the end of clause (ii) and all that fol-  
 20 lows before the period; and

21 (B) in subparagraph (C)(ii), by inserting  
 22 “multiplied by the budget neutrality adjustment  
 23 factor determined under paragraph (5)” before  
 24 the period at the end; and

1 (2) in paragraph (5), by striking “paragraph  
2 (1)(A)” and inserting “paragraph (1)(C)(ii)”.

3 (b) EFFECTIVE DATE.—The amendments made by  
4 subsection (a) shall apply to rates calculated for years  
5 after 1999.

6 **SEC. 112. REPEAL OF PHASE OUT OF CERTAIN MEDICARE**  
7 **REASONABLE COST REIMBURSEMENT CON-**  
8 **TRACTS.**

9 Section 1876(h)(5) of the Social Security Act (42  
10 U.S.C. 1395mm(h)(5)) is amended—

11 (1) by striking “(5)(A)” and inserting “(5)”;  
12 and

13 (2) by striking subparagraph (B).

14 **SEC. 113. MEDICARE+CHOICE RURAL DEMONSTRATION**  
15 **PROJECT.**

16 (a) ESTABLISHMENT OF PROJECT.—For purposes of  
17 expanding and improving the quality of items and services  
18 furnished under the medicare program to medicare bene-  
19 ficiaries residing in rural and frontier areas, the Secretary  
20 of Health and Human Services (in this section referred  
21 to as the “Secretary”) shall conduct demonstration  
22 projects under which the Secretary shall establish, and  
23 provide for payment for such items and services to, pro-  
24 vider-sponsored organizations and other managed care en-  
25 tities that are based in rural and frontier areas.

1       (b) REQUIREMENT OF RURAL AND FRONTIER  
2 AREAS.—The Secretary shall designate areas in which  
3 projects under this section shall be conducted. Such  
4 projects may only be conducted in rural or frontier areas,  
5 as defined under title XVIII of the Social Security Act  
6 and under regulations promulgated thereunder.

7       (c) PROJECT IMPLEMENTATION.—

8           (1) IN GENERAL.—The Secretary shall establish  
9 a benefit design, and establish payment amounts for  
10 items and services furnished by such provider-spon-  
11 sored organizations and managed care entities to  
12 medicare beneficiaries.

13          (2) DATA COLLECTION.—The Secretary shall  
14 provide for the collection of information (including  
15 information concerning quality and access to care),  
16 for purposes of evaluating the results of the project.

17       (d) REPORT TO CONGRESS.—

18           (1) IN GENERAL.—Not later than two years  
19 after the Secretary implements the demonstration  
20 projects under this section, and annually thereafter,  
21 the Secretary shall submit to Congress a report re-  
22 garding such demonstration projects.

23          (2) CONTENTS OF REPORT.—The report in  
24 paragraph (1) shall include the following:

1 (A) A description of the demonstration  
2 projects conducted under this section.

3 (B) An evaluation of—

4 (i) the viability of such provider-spon-  
5 sored organizations and managed care en-  
6 tities operating in rural and frontier areas;

7 (ii) the quality of the health care serv-  
8 ices provided to medicare beneficiaries re-  
9 siding in such areas under the demonstra-  
10 tion projects; and

11 (iii) beneficiary and health care pro-  
12 vider satisfaction under the demonstration  
13 project.

14 (C) Any other information regarding the  
15 demonstration projects conducted under this  
16 section that the Secretary determines to be ap-  
17 propriate.

18 (e) WAIVER AUTHORITY.—The Secretary of Health  
19 and Human Services may waive such requirements of title  
20 XVIII of the Social Security Act (as amended by this Act)  
21 as may be necessary for the purposes of carrying out the  
22 project.



## **Subtitle C—General Payment Provisions**

### **SEC. 121. DIRECT MEDICARE PAYMENT FOR PHYSICIAN ASSISTANTS, NURSE PRACTITIONERS, AND CLINICAL NURSE SPECIALISTS PRACTICING IN UNDERSERVED RURAL AREAS.**

(a) IN GENERAL.—Section 1833(a)(1)(O) of the Social Security Act (42 U.S.C. 1395l(a)(1)(O)) is amended—

(1) by inserting “(or 100 percent in the case of services furnished in an underserved rural area)” after “85 percent” the first place it appears.

(b) DIRECT REIMBURSEMENT.—Section 1842(b)(6)(C) of such Act (42 U.S.C. 1395u(b)(6)(C)) is amended—

(1) by striking “clause (i) of”;

(2) by inserting “, nurse practitioner, or clinical nurse specialist” after “physician assistant” the first place it appears; and

(3) by amending clause (ii) to read as follows:

“(ii) with respect to a physician assistant, nurse practitioner, or clinical nurse specialist who is providing services in an underserved rural area, payment may be made directly to the assistant, practitioner, or specialist;”.

1 (c) EFFECTIVE DATE.—The amendments made by  
 2 this section apply to services furnished on or after Janu-  
 3 ary 1, 2000.

4 **SEC. 122. COVERAGE OF QUALIFIED MENTAL HEALTH PRO-**  
 5 **FESSIONAL SERVICES UNDER MEDICARE.**

6 (a) IN GENERAL.—Section 1861(s)(2) of the Social  
 7 Security Act (42 U.S.C. 1395x(s)(2)) is amended—

8 (1) in subparagraph (S), by striking “and” at  
 9 the end;

10 (2) in subparagraph (T), by striking the period  
 11 at the end and inserting “; and”; and

12 (3) by adding at the end the following new sub-  
 13 paragraph:

14 “(U) qualified mental health professional serv-  
 15 ices (as defined in subsection (uu));”.

16 (b) PAYMENT RULES.—

17 (1) DETERMINATION OF AMOUNT OF PAY-  
 18 MENT.—Section 1833(a)(1) of the Social Security  
 19 Act (42 U.S.C. 1395l(a)(1)) is amended—

20 (A) by striking “and” before “(S)”; and

21 (B) by striking the semicolon at the end  
 22 and inserting the following: “, and (T) with re-  
 23 spect to qualified mental health professional  
 24 services described in section 1861(s)(2)(U), the  
 25 amounts paid shall be the amount determined

1 by a fee schedule established by the Secretary  
 2 for purposes of this subparagraph;”.

3 (2) SEPARATE PAYMENT FOR  
 4 SERVICES OF INSTITUTIONAL PROVIDERS.—Section  
 5 1832(a)(2)(B)(iii) of the Social Security Act (42  
 6 U.S.C. 1395k(a)(2)(B)(iii)) is amended—

7 (A) by striking “and services” and insert-  
 8 ing “services”; and

9 (B) by striking the semicolon at the end  
 10 and inserting the following: “, and qualified  
 11 mental health professional services described in  
 12 section 1861(s)(2)(U);”.

13 (c) SERVICES DESCRIBED.—Section 1861 of the So-  
 14 cial Security Act (42 U.S.C. 1395x) is amended by adding  
 15 at the end the following new subsection:

16 “Qualified Mental Health Professional Services  
 17 “(uu)(1) The term ‘qualified mental health profes-  
 18 sional services’ means such services (with such frequency  
 19 limits as the Secretary determines appropriate) furnished  
 20 by a mental health professional (as defined in paragraph  
 21 (2)) and such services and supplies (with such limits) fur-  
 22 nished as an incident to services furnished by the mental  
 23 health professional that the mental health professional is  
 24 legally authorized to perform under State law (or under  
 25 a State regulatory mechanism provided by State law), if

1 such services and supplies are furnished to an individual  
2 who resides in an area designated as a health professional  
3 shortage area in accordance with section 332 of the Public  
4 Health Service Act (42 U.S.C. 254e).

5 “(2) The term ‘mental health professional’ means an  
6 individual who is licensed as a mental health professional  
7 for the diagnosis and treatment of mental illnesses by the  
8 State (or under a State regulatory mechanism provided  
9 by State law) in which the individual furnishes qualified  
10 mental health professional services.”.

11 (d) EFFECTIVE DATE.—The amendments made by  
12 this section apply to services furnished on or after Janu-  
13 ary 1, 2000.

14 **SEC. 123. MEDICARE WAIVERS FOR PROVIDERS IN RURAL**  
15 **AREAS.**

16 Notwithstanding section 1886(d)(2)(D) of the Social  
17 Security Act (42 U.S.C. 1395ww(d)(2)(D)), by not later  
18 than 180 days after the date of the enactment of this Act,  
19 the Secretary of Health and Human Services shall estab-  
20 lish a waiver process under which entities and individuals  
21 under the medicare program that are determined by the  
22 Office of Management and Budget to be located in an  
23 urban or large urban area for purposes of reimbursement  
24 under such program may apply to the Secretary to be con-

sidered to be located in a rural area for such purposes  
if such entity or individual is located—

(1) in a rural area, as defined by the Goldsmith  
Modification as published in the Federal Register on  
February 27, 1992;

(2) outside of an urbanized area, as defined by  
the United States Census Bureau; or

(3) an area designated by a State as a rural  
area.

**SEC. 124. SAFE HARBOR UNDER THE ANTI-KICKBACK STAT-  
UTE FOR HOSPITAL RESTOCKING OF CER-  
TAIN AMBULANCE DRUGS AND SUPPLIES.**

(a) IN GENERAL.—Section 1128B(b)(3) of the Social  
Security Act (42 U.S.C. 1320a–7b(b)(3)) is amended—

(1) by striking “and” at the end of subpara-  
graph (E);

(2) by striking the period at the end of sub-  
paragraph (F) and inserting “; and”; and

(3) by adding at the end the following new sub-  
paragraph:

“(G) any remuneration from a hospital to an  
ambulance provider if—

“(i) the ambulance provider is owned or  
operated (I) by a State or local government  
agency or (II) by an organization that is de-

1           scribed in paragraph (3) or (4) of section  
2           501(c) of the Internal Revenue Code of 1986  
3           and that is exempt from taxation under section  
4           501(a) of such Code;

5           “(ii) the remuneration is in the form of the  
6           replenishment of drugs or supplies, or both,  
7           used by the ambulance provider during the  
8           transport of a patient to the hospital; and

9           “(iii) the remuneration is not determined  
10          in a manner that takes into account the volume  
11          or value of any referrals or business otherwise  
12          generated between the parties for which pay-  
13          ment may be made in whole or part under a  
14          Federal health care program.”.

15          (b) EFFECTIVE DATE.—The amendments made by  
16          subsection (a) shall apply to remuneration provided on or  
17          after the date of the enactment of this Act.

1 **TITLE II—PROMOTING ACCESS**  
 2 **TO HEALTH CARE SERVICES**  
 3 **IN RURAL AREAS UNDER THE**  
 4 **MEDICAID PROGRAM**

5 **SEC. 201. CONTINUATION OF PRE-BBA MEDICAID REIM-**  
 6 **BURSEMENT RULES FOR FEDERALLY QUALI-**  
 7 **FIED HEALTH CENTERS AND RURAL HEALTH**  
 8 **CLINICS.**

9 (a) ELIMINATION OF PHASE-OUT OF PAYMENT  
 10 BASED ON REASONABLE COST.—Section 1902(a)(13)(C)  
 11 of the Social Security Act (42 U.S.C. 1396a(a)(13)(C))  
 12 is amended by striking “(or 95 percent” and all that fol-  
 13 lows through “70 percent for services furnished during fis-  
 14 cal year 2003)”.

15 (b) ELIMINATION OF TRANSITIONAL SUPPLEMENTAL  
 16 PAYMENT FOR SERVICES FURNISHED UNDER CERTAIN  
 17 MANAGED CARE CONTRACTS.—

18 (1) IN GENERAL.—Section 1902(a)(13)(C) of  
 19 such Act (42 U.S.C. 1396a(a)(13)(C)) is further  
 20 amended—

21 (A) by striking “(C)(i)” and inserting  
 22 “(C); and

23 (B) by striking “and (ii)” and all that fol-  
 24 lows up to the semicolon at the end.

1           (2) CONFORMING AMENDMENT TO MANAGED  
2           CARE CONTRACT REQUIREMENT.—Clause (ix) of sec-  
3           tion 1903(m)(2)(A) of such Act (42 U.S.C.  
4           1396b(m)(2)(A)) is amended to read as follows:

5           “(ix) such contract provides, in the case of an  
6           entity that has entered into a contract for the provi-  
7           sion of services with a Federally-qualified health cen-  
8           ter or a rural health clinic, that (I) rates of prepay-  
9           ment from the State are adjusted to reflect fully the  
10          rates of payment specified in section  
11          1902(a)(13)(C), and (II) at the election of such cen-  
12          ter or clinic, payments made by the entity to such  
13          center or clinic for services described in section  
14          1905(a)(2)(C) are made at the rates of payment  
15          specified in section 1902(a)(13)(C);”.

16          (3) ELIMINATION OF REPEAL.—Section 4712(c)  
17          of the Balanced Budget Act of 1997 is repealed and  
18          the provisions of the Social Security Act shall be im-  
19          plemented as through such section had never been  
20          enacted.

21          (d) EFFECTIVE DATE.—The amendments made by  
22          subsections (a) and (b) apply to services furnished on or  
23          after January 1, 2000.



1 **SEC. 202. MEDICAID COVERAGE OF PHYSICIANS' ASSIST-**  
2 **ANTS.**

3 (a) IN GENERAL.—Section 1905(a)(5)(A) of the So-  
4 cial Security Act (42 U.S.C. 1396d(a)(5)(A)) is amended  
5 by inserting “and services which would be physicians’ serv-  
6 ices if furnished by such a physician and which are per-  
7 formed by a physician assistant or a nurse practitioner  
8 (as defined in section 1861(aa)(5)(A)) under the super-  
9 vision of a physician (as so defined) and which the physi-  
10 cian assistant or the nurse practitioner is legally author-  
11 ized to perform by the State in which the services are per-  
12 formed” after “section 1861(r)(1))”.

13 (b) EFFECTIVE DATE.—(1) Except as provided in  
14 paragraph (2), the amendment made by subsection (a)  
15 shall apply to services furnished on or after January 1,  
16 2000, without regard to whether or not final regulations  
17 to carry out such amendment have been promulgated by  
18 such date.

19 (2) In the case of a State plan for medical assistance  
20 under title XIX of the Social Security Act which the Sec-  
21 retary of Health and Human Services determines requires  
22 State legislation (other than legislation appropriating  
23 funds) in order for the plan to meet the additional require-  
24 ment imposed by the amendment made by subsection (a),  
25 the State plan shall not be regarded as failing to comply  
26 with the requirements of such title solely on the basis of

1 its failure to meet this additional requirement before the  
 2 first day of the first calendar quarter beginning after the  
 3 close of the first regular session of the State legislature  
 4 that begins after the date of the enactment of this Act.  
 5 For purposes of the previous sentence, in the case of a  
 6 State that has a 2-year legislative session, each year of  
 7 such session shall be deemed to be a separate regular ses-  
 8 sion of the State legislature.

9 **TITLE III—PROMOTING ACCESS**  
 10 **TO HEALTH CARE SERVICES**  
 11 **IN RURAL AREAS UNDER THE**  
 12 **INTERNAL REVENUE CODE**

13 **SEC. 301. EXCLUSION OF CERTAIN AMOUNTS RECEIVED**  
 14 **UNDER THE NATIONAL HEALTH SERVICE**  
 15 **CORPS SCHOLARSHIP PROGRAM.**

16 (a) IN GENERAL.—Subsection (c) of section 117 of  
 17 the Internal Revenue Code of 1986 (relating to the exclu-  
 18 sion from gross income amounts received as a qualified  
 19 scholarship) is amended—

20 (1) by striking “Subsections (a)” and inserting  
 21 the following:

22 “(1) IN GENERAL.—Subject to paragraph (2),  
 23 subsections (a)”;

24 (2) by adding at the end the following:

1           “(2) NATIONAL HEALTH CORPS SCHOLARSHIP  
2           PROGRAM.—Paragraph (1) shall not apply to any  
3           amount received by an individual under the National  
4           Health Corps Scholarship Program under section  
5           338A(g)(1)(A) of the Public Health Service Act.”

6           (b) EFFECTIVE DATE.—The amendments made by  
7           subsection (a) shall apply to amounts received in taxable  
8           years beginning after December 31, 1999.

9   **SEC. 302. ISSUANCE OF TAX-EXEMPT BONDS BY ORGANIZA-**  
10                           **TIONS PROVIDING RESCUE AND EMERGENCY**  
11                           **MEDICAL SERVICES.**

12           (a) GENERAL RULE.—Subsection (e) of section 150  
13           of the Internal Revenue Code of 1986 is amended to read  
14           as follows:

15           “(e) BONDS OF CERTAIN VOLUNTEER FIRE DEPART-  
16           MENTS OR EMERGENCY SERVICE ORGANIZATIONS.—For  
17           purposes of this part and section 103—

18           “(1) IN GENERAL.—A bond of a volunteer fire  
19           or other emergency services organization shall be  
20           treated as a bond of a political subdivision of a State  
21           if—

22           “(A) such organization is a qualified volun-  
23           teer fire or other emergency services organiza-  
24           tion with respect to an area within the jurisdic-  
25           tion of such political subdivision, and

1           “(B) such bond is issued as part of an  
2           issue 95 percent or more of the net proceeds of  
3           which are to be used for the acquisition, con-  
4           struction, reconstruction, or improvement of—

5                   “(i) a firehouse or other building used  
6                   or to be used by such organization in pro-  
7                   viding qualified services (including land  
8                   which is functionally related and subordi-  
9                   nate thereto), or

10                   “(ii) a firetruck, ambulance, or other  
11                   vehicle used or to be used by such organi-  
12                   zation in providing qualified services.

13           “(2) QUALIFIED VOLUNTEER FIRE OR OTHER  
14           EMERGENCY SERVICES ORGANIZATION.—For pur-  
15           poses of this subsection, the term ‘qualified volun-  
16           teer fire or other emergency services organization’  
17           means, with respect to a political subdivision of a  
18           State, any organization—

19                   “(A) which is organized and operated to  
20                   provide qualified services for persons in an area  
21                   (within the jurisdiction of such political subdivi-  
22                   sion) which is not provided with any other  
23                   qualified services of the type provided by such  
24                   organization, and

1           “(B) which is required (by written agree-  
2           ment) by the political subdivision to furnish  
3           qualified services in such area.

4           For purposes of subparagraph (A), other qualified  
5           services provided in an area shall be disregarded in  
6           determining whether an organization is a qualified  
7           volunteer fire or other emergency services organiza-  
8           tion if such other qualified services are provided by  
9           a qualified volunteer fire or other emergency services  
10          organization (determined with the application of this  
11          sentence) and such organization and the provider of  
12          such other services have been continuously providing  
13          qualified services to such area since January 1,  
14          1997.

15          “(3) TREATMENT AS PRIVATE ACTIVITY BONDS  
16          ONLY FOR CERTAIN PURPOSES.—Bonds which are  
17          part of an issue which meets the requirements of  
18          paragraph (1) shall not be treated as private activity  
19          bonds except for purposes of sections 147(f) and  
20          149(d).

21          “(4) QUALIFIED SERVICES.—For purposes of  
22          this subsection, the term ‘qualified services’ means  
23          any firefighting, rescue, or emergency medical serv-  
24          ices.”

1 (b) EFFECTIVE DATE.—The amendment made by  
 2 subsection (a) shall apply to obligations issued on or after  
 3 January 1, 2000.

4 **SEC. 303. BANK DEDUCTIBILITY OF SMALL, TAX-EXEMPT**  
 5 **DEBTS.**

6 (a) IN GENERAL.—Section 265(b)(3) of the Internal  
 7 Revenue Code of 1986 (relating to exception for certain  
 8 tax-exempt obligations) is amended by adding at the end  
 9 the following:

10 “(G) ELECTION TO APPLY LIMITATION ON  
 11 AMOUNT OF OBLIGATIONS AT BORROWER  
 12 LEVEL.—

13 “(i) IN GENERAL.—An issuer, the  
 14 proceeds of the obligations of which are to  
 15 be used to make or finance eligible loans,  
 16 may elect to apply subparagraphs (C) and  
 17 (D) by treating each borrower as the issuer  
 18 of a separate issue.

19 “(ii) ELIGIBLE LOAN.—For purposes  
 20 of this subparagraph—

21 “(I) IN GENERAL.—The term ‘el-  
 22 igible loan’ means one or more loans  
 23 to a qualified borrower the proceeds of  
 24 which are used by the borrower for  
 25 health care or educational purposes

1 and the outstanding balance of which  
2 in the aggregate does not exceed  
3 \$5,000,000.

4 “(II) QUALIFIED BORROWER.—  
5 The term ‘qualified borrower’ means a  
6 borrower which is an organization de-  
7 scribed in section 501(c)(3) and ex-  
8 empt from taxation under section  
9 501(a).

10 “(iii) MANNER OF ELECTION.—The  
11 election described in clause (i) may be  
12 made by an issuer for any calendar year at  
13 any time prior to its first issuance during  
14 such year of obligations the proceeds of  
15 which will be used to make or finance one  
16 or more eligible loans.

17 “(iv) MODIFICATION OF RULE FOR  
18 COMPOSITE ISSUES.—In the case of an ob-  
19 ligation which is issued by any issuer  
20 which has made the election described in  
21 clause (i), subparagraph (F) shall be ap-  
22 plied without regard to clause (i) of such  
23 subparagraph.”

1 (b) EFFECTIVE DATE.—The amendment made by  
2 subsection (a) shall apply to taxable years beginning after  
3 December 31, 1999.

4 **TITLE IV—ADDITIONAL PROVI-**  
5 **SIONS TO ADDRESS SHORT-**  
6 **AGES OF HEALTH PROFES-**  
7 **SIONALS IN RURAL AREAS**

8 **SEC. 401. REQUIREMENT FOR RURAL IMPACT STATEMENTS**  
9 **FOR HEALTH CARE REGULATIONS.**

10 (a) IN GENERAL.—Whenever the Secretary of Health  
11 and Human Services promulgates a regulation (or pro-  
12 posed regulation) relating to a health care program, in-  
13 cluding the medicare or medicaid programs, the Secretary  
14 shall include with the promulgation of the regulation an  
15 analysis of the likely impact of the implementation of the  
16 regulation on rural areas, including its impact on—

- 17 (1) rural safety net providers;  
18 (2) rural primary care providers;  
19 (3) rural hospitals;  
20 (4) Federally qualified health centers and rural  
21 health clinics;  
22 (5) the economies in rural areas; and  
23 (6) rural residents.



1 (b) EFFECTIVE DATE.—Subsection (a) shall apply to  
2 regulations promulgated on or after the date of the enact-  
3 ment of this Act.

4 **SEC. 402. HEALTH PROFESSIONAL SHORTAGE AREAS.**

5 (a) EFFECTIVE DATE.—Section 332 of the Public  
6 Health Service Act (42 U.S.C. 254e) is amended—

7 (1) in subsection (a)(1)(A), by inserting after  
8 “services)” the following: “, or a frontier area (an  
9 area that has six or fewer residents per square  
10 mile),”; and

11 (2) by adding at the end of subsection (c), the  
12 following new paragraph:

13 “(3) Any pending retirements or resignations of  
14 physicians available within the area involved. In im-  
15 plementing this paragraph, the Secretary shall waive  
16 the requirements of this section with respect to the  
17 number of physicians serving the area for the 12-  
18 month period beginning on the date on which the  
19 area was designated as a health professional short-  
20 age area.”.

21 (b) EFFECTIVE DATE.—The amendments made by  
22 subsection (a) shall take effect on the date of enactment  
23 of this Act.

1 **SEC. 403. ACCESS TO DATA.**

2 (a) REQUIREMENT.—The heads of the agencies de-  
3 scribed in subsection (b) shall negotiate and enter into  
4 interagency agreements with agencies and offices of the  
5 Department of Health and Human Services under which  
6 such agencies and offices will be provided access to data  
7 sets for intramural and extramural research conducted or  
8 supported by such agencies or offices.

9 (b) AGENCY HEADS.—The agencies described in this  
10 section are the following:

11 (1) The National Health Service Corps.

12 (2) The Centers for Disease Control and Pre-  
13 vention.

14 (3) The Agency for Health Care Policy and Re-  
15 search.

16 (4) The Bureau of the Census.

17 (c) INFORMATION.—The information that is to be  
18 made available under interagency agreements under this  
19 section shall include all information that is necessary for  
20 scholarly and policy research. Such information shall be  
21 made available in a manner that includes a description of  
22 the geographic area or location of the individuals who are  
23 the subject of such information.

24 (d) AVAILABILITY.—Information that is subject to an  
25 interagency agreement under this section shall be made

1 available to bona fide researchers as determined appro-  
 2 priate by the Secretary of Health and Human Services.

3 (e) CONFIDENTIALITY.—Each interagency agreement  
 4 entered into under this section shall contain provisions  
 5 that protect the confidentiality of the individuals who are  
 6 the subjects of such information.

7 **SEC. 404. DESIGNATION OF UNDERSERVED AREAS UNDER**  
 8 **HEALTH CARE CONTRACTS ADMINISTERED**  
 9 **BY THE OFFICE OF PERSONNEL MANAGE-**  
 10 **MENT.**

11 Section 8902(m)(2)(A) of title 5, United States Code,  
 12 is amended by striking “a State where 25 percent” and  
 13 all that follows through the period and inserting “an area  
 14 designated as a health professional shortage area by the  
 15 Department of Health and Human Services in accordance  
 16 with section 332 of the Public Health Service Act (42  
 17 U.S.C. 254e).”.

18 **SEC. 405. REVISION OF METHODOLOGY FOR DESIGNATION**  
 19 **OF HEALTH PROFESSIONAL SHORTAGE**  
 20 **AREAS.**

21 (a) REVISION OF METHODOLOGY.—

22 (1) IN GENERAL.—The Secretary of Health and  
 23 Human Services shall establish, on an expedited  
 24 basis and using a negotiated rulemaking process  
 25 under subchapter III of chapter 5 of title 5, United

1 States Code, revised standards for the designation of  
2 a health professional shortage area under section  
3 332(a)(1) of the Public Health Service Act (42  
4 U.S.C. 254e(a)(1)).

5 (2) CONSIDERATIONS.—In developing standards  
6 under subsection (a), the Secretary shall—

7 (A) promote the needs of medically under-  
8 served populations (as defined in section  
9 330(b)(3) of the Public Health Service Act (42  
10 U.S.C. 254c(b)(3))) and the needs of individ-  
11 uals residing in health professional shortage  
12 areas located in rural, frontier, and urban  
13 areas; and

14 (B) consider the percentage of population  
15 over the age of 65 years residing in such health  
16 professional shortage areas.

17 (b) DEVELOPMENT OF DEFINITION OF FRONTIER.—  
18 For purposes of subsection (a) and for purposes of pay-  
19 ment under title XVIII of the Social Security Act, the Sec-  
20 retary of Health and Human Services shall, by regulation,  
21 define the term “frontier”. Such definition shall take into  
22 account population density and distance in miles, and time  
23 in minutes, to the nearest medical facility.

1 **SEC. 406. SENSE OF CONGRESS REGARDING THE RESERVE**  
2 **CORPS OF THE COMMISSIONED CORPS OF**  
3 **THE PUBLIC HEALTH SERVICE.**

4 (a) FINDINGS.—Congress makes the following find-  
5 ings:

6 (1) Improving the Reserve Corps of the Com-  
7 missioned Corps of the Public Health Service would  
8 significantly enhance access to quality health care in  
9 rural areas.

10 (2) Use of inactive members of the Reserve  
11 Corps to fill vacancies in staffing of health care pro-  
12 viders under the Public Health Service Act is an ef-  
13 fective and cost efficient manner of providing in-  
14 creased and improved health care services in rural  
15 areas and to Public Health Service agencies.

16 (3) The use of inactive members of the Reserve  
17 Corps to fill such vacancies is impeded because of an  
18 inability to identify such members.

19 (4) Better overall management of the Reserve  
20 Corps may save several million dollars annually.

21 (b) SENSE OF CONGRESS.—It is the sense on Con-  
22 gress that the Secretary of Health and Human Services  
23 should establish within the Public Health Service of the  
24 Department of Health and Human Services an Office of  
25 Reserve Corps Coordination for the Commissioned Corps  
26 of the Public Health Service. Such Office should oversee

1 the management of the Reserve Corps and take such steps  
 2 as are necessary, including using inactive members to fill  
 3 temporary vacancies in staffing of health care providers  
 4 under the Public Health Service Act, to efficiently utilize  
 5 the Reserve Corps to increase and improve health care  
 6 services furnished in rural areas.

7           **TITLE V—TELEMEDICINE**  
 8           **Subtitle A—Improvements to the**  
 9           **Medicare Program**

10 **SEC. 501. IMPROVEMENT OF TELEHEALTH SERVICES.**

11           (a) MEDICARE COVERAGE OF TELEHEALTH SERV-  
 12 ICES.—

13                   (1) ALL SERVICES FURNISHED UNDER MEDI-  
 14 CARE.—Section 4206(a) of the Balanced Budget Act  
 15 of 1997 (42 U.S.C. 1395l note) is amended by strik-  
 16 ing “furnishing a service for which payment may be  
 17 made under such part” and inserting “furnishing a  
 18 service for which payment may be made under such  
 19 title”.

20                   (2) PHYSICAL, OCCUPATIONAL, AND SPEECH  
 21 THERAPY.—Subsections (a) and (d)(1) of section  
 22 4206 of the Balanced Budget Act of 1997 (42  
 23 U.S.C. 1395l note) are each amended by adding at  
 24 the end the following new sentence: “For purposes  
 25 of the preceding sentence, the term ‘practitioner’

1 shall include physical, occupational, and speech  
2 therapists.”.

3 (3) TELEHEALTH CONSULTATION USING STORE  
4 AND FORWARD TECHNOLOGY.—Section 4206(a) of  
5 the Balanced Budget Act of 1997 (42 U.S.C. 1395l  
6 note), as amended by paragraph (2), is further  
7 amended by adding at the end the following new  
8 sentence: “Payment shall also be made under this  
9 section for professional consultations utilizing tech-  
10 nology that provides for the asynchronous trans-  
11 mission of health care information, in single or  
12 multimedia formats, for the objective of any or all  
13 of the following:

14 (1) Medical diagnosis.

15 (2) Medical treatment.

16 (3) Medical education.”.

17 (b) MEDICARE REIMBURSEMENT FOR TELEHEALTH  
18 SERVICES IN ALL RURAL AREAS.—Section 4206 of the  
19 Balanced Budget Act of 1997 (42 U.S.C. 1395l note) is  
20 amended—

21 (1) in subsection (a), by striking “that is des-  
22 ignated as a health professional shortage area under  
23 section 332(a)(1)(A) of the Public Health Service  
24 Act (42 U.S.C. 254e(a)(1)(A))” and inserting “or a

1 county that is not otherwise included in a Metropoli-  
 2 tan Statistical Area”; and

3 (2) in subsection (d), by striking “who does not  
 4 reside in a rural area (as so defined) that is des-  
 5 ignated as a health professional shortage area under  
 6 section 332(a)(1)(A) of the Public Health Service  
 7 Act (42 U.S.C. 254e(a)(1)(A))” and inserting “who  
 8 resides in a county in a rural area (as so defined)  
 9 or a county that is not otherwise included in a Met-  
 10ropolitan Statistical Area”.

11 (c) PERMITTING PRESENTATION OF PATIENT BY  
 12 HEALTH CARE PROVIDERS.—Section 4206(a) of the  
 13 Balanced Budget Act of 1997 (42 U.S.C. 1395l note), as  
 14 amended by subsection (a), is further amended—

15 (1) by inserting “(1)” after “(a) IN GEN-  
 16ERAL.—”; and

17 (2) by adding at the end the following new  
 18 paragraph:

19 “(2)(A) In the case of telehomecare (as described in  
 20 subparagraph (D)) a registered nurse, acting under the  
 21 directions of a physician or practitioner, may present the  
 22 beneficiary for the professional consultation. In the case  
 23 of such a presentation the presence of a referring or con-  
 24sulting physician or practitioner is not required.



1 “(B) Telehomecare may be furnished in areas other  
2 than in rural areas.

3 “(C) In this section, the term “registered nurse”  
4 means a registered nurse who is licensed to practice nurs-  
5 ing in the State in which the professional consultation is  
6 performed and is operating within the scope of such li-  
7 cense.

8 “(D) For purposes of subparagraph (A),  
9 telehomecare consists of certain home health services fur-  
10 nished using a electronic device capable of two-way audio  
11 and video transmissions, and capable of monitoring and  
12 transmitting vital statistics of a patient, including meas-  
13 uring blood pressure and temperature of a patient.”.

14 (d) REVISION OF PAYMENT METHODOLOGY.—Sec-  
15 tion 4206(b) of the Balanced Budget Act of 1997 (42  
16 U.S.C. 1395l note) is amended—

17 (1) by redesignating paragraphs (1), (2), (3),  
18 and (4) as subparagraphs (A), (B), (C), and (D), re-  
19 spectively;

20 (2) by inserting “(1)” before “Taking into ac-  
21 count”;

22 (3) in subparagraph (A), as so redesignated, to  
23 read as follows:

24 “(A) The payment shall be made under a fee  
25 schedule established by the Secretary that provides

1 for payment for the referring physician or practi-  
2 tioner and for the consulting physician or practi-  
3 tioner. If the referring physician or practitioner de-  
4 termines it appropriate, such referring physician or  
5 practitioner may be present during the professional  
6 consultation. The amount of the payment to the  
7 physicians or practitioners shall not be greater than  
8 the current fee schedule of such consulting physician  
9 or practitioner for the health care services pro-  
10 vided.”;

11 (2) in subparagraph (B), to read as follows:

12 “(B) The payment shall include payment to a  
13 provider of services for the costs associated with pro-  
14 fessional consultation via telecommunications sys-  
15 tems. Such costs shall include facility fees, costs of  
16 maintenance of telehealth equipment and of tele-  
17 communications facilities, and costs of staff incurred  
18 in furnishing such professional consultations. In no  
19 case may a beneficiary be billed for any such charges  
20 or fees.”; and

21 (3) by adding at the end the following new  
22 paragraphs:

23 “(2) The Secretary shall permit the imposition of  
24 beneficiary cost sharing in the form of a copayment, not  
25 to exceed \$15 per visit. In the case of any copayment im-

1 posed under the preceding sentence, the Secretary shall  
2 require the provision of notice to the individual requesting  
3 such services prior to the furnishing of such services.

4 “(3) The Secretary shall establish a separate code (or  
5 codes) for purposes of claims for payment for items and  
6 services furnished under this section.”.

7 (e) REPORTS TO CONGRESS.—Section 4206 of the  
8 Balanced Budget Act of 1997 (42 U.S.C. 1395l note) is  
9 amended by adding at the end the following new sub-  
10 section:

11 “(e) ADDITIONAL REPORTS TO CONGRESS.—

12 “(1) INITIAL REPORT.—Not later than August  
13 1, 2003, the Secretary of Health and Human Serv-  
14 ices shall prepare and submit to the appropriate  
15 committees of Congress a report concerning—

16 “(A) the number, percentage, and types of  
17 health care providers licensed to provide tele-  
18 health services across State lines, including the  
19 number and types of health care providers li-  
20 censed to provide such services in more than  
21 three States;

22 “(B) the status of any reciprocal, mutual  
23 recognition, fast-track, or other licensure agree-  
24 ments between or among various States;

1           “(C) the status of any efforts to develop  
2           uniform national sets of standards for the licen-  
3           sure of health care providers to provide tele-  
4           health services across State lines;

5           “(D) a projection of future utilization of  
6           telehealth consultations across State lines;

7           “(E) State efforts to increase or reduce li-  
8           censure as a burden to interstate telehealth  
9           practice; and

10           “(F) any State licensure requirements that  
11           appear to constitute unnecessary barriers to the  
12           provision of telehealth services across State  
13           lines.

14           “(2) ANNUAL REPORT.—

15           “(A) IN GENERAL.—Not later than August  
16           1, 2004, and each July 1 thereafter, the Sec-  
17           retary of Health and Human Services shall pre-  
18           pare and submit to the appropriate committees  
19           of Congress, an annual report on relevant devel-  
20           opments concerning the matters referred to in  
21           subparagraphs (A) through (F) of paragraph  
22           (1).

23           “(B) RECOMMENDATIONS.—If, with re-  
24           spect to a report submitted under subparagraph  
25           (A), the Secretary of Health and Human Serv-

1           ices determines that States are not making  
2           progress in facilitating the provision of tele-  
3           health services across State lines by eliminating  
4           unnecessary requirements, adopting reciprocal  
5           licensing arrangements for telehealth services,  
6           implementing uniform requirements for tele-  
7           health licensure, or other means, the Secretary  
8           shall include in the report recommendations  
9           concerning the scope and nature of Federal ac-  
10          tions required to reduce licensure as a barrier  
11          to the interstate provision of telehealth services.

12          (f) EFFECTIVE DATE.—The amendments made by  
13          this section shall take effect on the date of enactment of  
14          this Act.

15   **SEC. 502. JOINT WORKING GROUP ON TELEHEALTH.**

16          (a) IN GENERAL.—

17               (1) REDESIGNATION.—The Joint Working  
18          Group on Telemedicine, established by the Secretary  
19          of Health and Human Services, shall hereafter be  
20          known as the “Joint Working Group on Telehealth”  
21          with the chairperson being designated by the Office  
22          for the Advancement on Telehealth.

23               (2) REPRESENTATION OF RURAL AREAS.—The  
24          Joint Working Group on Telehealth shall ensure

1       that individuals that represent the interests of rural  
2       areas are members of the Group.

3           (3) MISSION.—The mission of the Joint Work-  
4       ing Group on Telehealth is—

5           (A) to identify, monitor, and coordinate  
6       Federal telehealth projects, data sets, and pro-  
7       grams;

8           (B) to analyze—

9           (i) how telehealth systems are expand-  
10       ing access to health care services, edu-  
11       cation, and information;

12          (ii) the clinical, educational, or admin-  
13       istrative efficacy and cost-effectiveness of  
14       telehealth applications; and

15          (iii) the quality of the telehealth serv-  
16       ices delivered; and

17       (C) to make further recommendations for  
18       coordinating Federal and State efforts to in-  
19       crease access to health services, education, and  
20       information in rural and underserved areas.

21       (4) ANNUAL REPORTS.—Not later than two  
22       years after the date of enactment of this Act and  
23       each January 1 thereafter the Joint Working Group  
24       on Telehealth shall report to Congress on the status

1 of the Group’s mission and the state of the tele-  
 2 health field generally.

3 (b) REPORT SPECIFICS.—The annual report required  
 4 under subsection (a)(3) shall provide—

5 (1) an analysis of—

6 (A) the matters described in subsection  
 7 (a)(3)(B);

8 (B) the Federal activities with respect to  
 9 telehealth; and

10 (C) the progress of the Joint Working  
 11 Group on Telehealth’s efforts to coordinate  
 12 Federal telehealth programs; and

13 (2) recommendations for a coordinated Federal  
 14 strategy to increase health care access through tele-  
 15 health.

16 (c) AUTHORIZATION OF APPROPRIATIONS.—There  
 17 are authorized to be appropriated such sums as are nec-  
 18 essary for the Joint Working Group on Telehealth to carry  
 19 out this section.

## 20 **Subtitle B—Development of** 21 **Telehealth Networks**

### 22 **SEC. 511. DEVELOPMENT.**

23 (a) IN GENERAL.—The Secretary of Health and  
 24 Human Services (in this subtitle referred to as the “Sec-  
 25 retary”), acting through the Director of the Office for the

1 Advancement of Telehealth (of the Health Resources and  
2 Services Administration), shall provide financial assistance  
3 (as described in subsection (b)(1)) to recipients (as de-  
4 scribed in subsection (c)(1)) for the purpose of expanding  
5 access to health care services for individuals in rural and  
6 frontier areas through the use of telehealth.

7 (b) FINANCIAL ASSISTANCE.—

8 (1) IN GENERAL.—Financial assistance shall  
9 consist of grants or cost of money loans, or both.

10 (2) FORM.—The Secretary shall determine the  
11 portion of the financial assistance provided to a re-  
12 cipient that consists of grants and the portion that  
13 consists of cost of money loans so as to result in the  
14 maximum feasible repayment to the Federal Govern-  
15 ment of the financial assistance, based on the ability  
16 of the recipient to repay and full utilization of funds  
17 made available to carry out this subtitle.

18 (3) LOAN FORGIVENESS PROGRAM.—

19 (A) ESTABLISHMENT.—With respect to  
20 cost of money loans provided under this section,  
21 the Secretary shall establish a loan forgiveness  
22 program under which recipients of such loans  
23 may apply to have all or a portion of such loans  
24 forgiven.



1 (B) REQUIREMENTS.—A recipient de-  
2 scribed in subparagraph (A) that desires to  
3 have a loan forgiven under the program estab-  
4 lished under such paragraph shall—

5 (i) within 180 days of the end of the  
6 loan cycle, submit an application to the  
7 Secretary requesting forgiveness of the  
8 loan involved;

9 (ii) demonstrate that the recipient has  
10 a financial need for such forgiveness;

11 (iii) demonstrate that the recipient  
12 has met the quality and cost-appropriate-  
13 ness criteria developed under subparagraph  
14 (C); and

15 (iv) provide any other information de-  
16 termined appropriate by the Secretary.

17 (C) CRITERIA.—As part of the program  
18 established under subparagraph (A), the Sec-  
19 retary shall establish criteria for determining  
20 the cost-effectiveness and quality of programs  
21 operated with loans provided under this section.

22 (c) RECIPIENTS.—

23 (1) APPLICATION.—To be eligible to receive a  
24 grant or loan under this section an entity described  
25 in paragraph (2) shall, in consultation with the

1 State office of rural health or other appropriate  
2 State entity, prepare and submit to the Secretary an  
3 application, at such time, in such manner, and con-  
4 taining such information as the Secretary may re-  
5 quire, including—

6 (A) a description of the anticipated need  
7 for the grant or loan;

8 (B) a description of the activities which the  
9 entity intends to carry out using amounts pro-  
10 vided under the grant or loan;

11 (C) a plan for continuing the project after  
12 Federal support under this section is ended;

13 (D) a description of the manner in which  
14 the activities funded under the grant or loan  
15 will meet health care needs of underserved rural  
16 populations within the State;

17 (E) a description of how the local commu-  
18 nity or region to be served by the network or  
19 proposed network will be involved in the devel-  
20 opment and ongoing operations of the network;

21 (F) the source and amount of non-Federal  
22 funds the entity would pledge for the project;  
23 and

1 (G) a showing of the long-term viability of  
2 the project and evidence of health care provider  
3 commitment to the network.

4 The application should demonstrate the manner in  
5 which the project will promote the integration of  
6 telehealth in the community so as to avoid redun-  
7 dancy of technology and achieve economies of scale.

8 (2) ELIGIBLE ENTITIES.—An entity described  
9 in this paragraph is a hospital or other health care  
10 provider in a health care network of community-  
11 based health care providers that includes at least—

12 (A) two of the following:

13 (i) community or migrant health cen-  
14 ters;

15 (ii) local health departments;

16 (iii) nonprofit hospitals;

17 (iv) private practice health profes-  
18 sionals, including rural health clinics;

19 (v) other publicly funded health or so-  
20 cial services agencies;

21 (vi) skilled nursing facilities;

22 (vii) county mental health and other  
23 publicly funded mental health facilities;  
24 and

1 (viii) providers of home health serv-  
2 ices; and

3 (B) one of the following, which must dem-  
4 onstrate use of the network for purposes of  
5 education and economic development (as re-  
6 quired by the Secretary):

7 (i) a public school;

8 (ii) a public library;

9 (iii) a university or college;

10 (iv) a local government entity; or

11 (v) a local nonhealth-related business  
12 entity.

13 An eligible entity may include for-profit entities so  
14 long as the network grantee is a nonprofit entity.

15 (d) PRIORITY.—The Secretary shall establish proce-  
16 dures to prioritize financial assistance under this subtitle  
17 considering whether or not the applicant—

18 (1) is a health care provider in a rural health  
19 care network or a health care provider that proposes  
20 to form such a network, and the majority of the  
21 health care providers in such a network are located  
22 in a medically underserved, health professional  
23 shortage area, or mental health professional short-  
24 age areas;

1           (2) can demonstrate broad geographic coverage  
2           in the rural areas of the State, or States in which  
3           the applicant is located;

4           (3) proposes to use Federal funds to develop  
5           plans for, or to establish, telehealth systems that will  
6           link rural hospitals and rural health care providers  
7           to other hospitals, health care providers, and pa-  
8           tients;

9           (4) will use the amounts provided for a range  
10          of health care applications and to promote greater  
11          efficiency in the use of health care resources;

12          (5) can demonstrate the long-term viability of  
13          projects through cost participation (cash or in-kind);

14          (6) can demonstrate financial, institutional, and  
15          community support for the long-term viability of the  
16          network; and

17          (7) can demonstrate a detailed plan for coordi-  
18          nating system use by eligible entities so that health  
19          care services are given a priority over non-clinical  
20          uses.

21          (e) MAXIMUM AMOUNT OF ASSISTANCE TO INDIVIDUAL  
22          RECIPIENTS.—The Secretary may establish the  
23          maximum amount of financial assistance to be made avail-  
24          able to an individual recipient for each fiscal year under  
25          this subtitle, and establish the term of the loan or grant,

1 by publishing notice of the maximum amount in the Fed-  
2 eral Register.

3 (f) USE OF AMOUNTS.—

4 (1) IN GENERAL.—Financial assistance pro-  
5 vided under this subtitle shall be used—

6 (A) with respect to cost of money loans, to  
7 encourage the initial development of rural tele-  
8 health networks, expand existing networks, or  
9 link existing networks together; and

10 (B) with respect to grants, as described in  
11 paragraph (2).

12 (2) GRANTS AND LOANS.—The recipient of a  
13 grant or loan under this subtitle may use financial  
14 assistance received under such grant or loan for the  
15 acquisition of telehealth equipment and modifica-  
16 tions or improvements of telecommunications facili-  
17 ties including—

18 (A) the development and acquisition  
19 through lease or purchase of computer hard-  
20 ware and software, audio and video equipment,  
21 computer network equipment, interactive equip-  
22 ment, data terminal equipment, and other fa-  
23 cilities and equipment that would further the  
24 purposes of this section;

1 (B) the provision of technical assistance  
2 and instruction for the development and use of  
3 such programming equipment or facilities;

4 (C) the development and acquisition of in-  
5 structional programming;

6 (D) demonstration projects for teaching or  
7 training medical students, residents, and other  
8 health profession students in rural training  
9 sites about the application of telehealth;

10 (E) transmission costs, maintenance of  
11 equipment, and compensation of specialists and  
12 referring health care providers;

13 (F) development of projects to use tele-  
14 health to facilitate collaboration between health  
15 care providers;

16 (G) electronic archival of patient records;

17 (H) collection and analysis of usage statis-  
18 tics and data that can be used to document the  
19 cost-effectiveness of the telehealth services; or

20 (I) such other uses that are consistent with  
21 achieving the purposes of this section as ap-  
22 proved by the Secretary.

23 (3) EXPENDITURES IN RURAL AREAS.—In  
24 awarding a grant or cost of money loan under this  
25 section, the Secretary shall ensure that not less than

1       50 percent of the grant or loan award is expended  
2       in a rural area or to provide services to residents of  
3       rural areas.

4       (g) PROHIBITED USES.—Financial assistance re-  
5       ceived under this section may not be used for any of the  
6       following:

7               (1) To build or acquire real property.

8               (2) In the case of the grant program, expendi-  
9       tures to purchase or lease equipment to the extent  
10      the expenditures would exceed more than 40 percent  
11      of the total grant funds.

12              (3) To purchase or install transmission equip-  
13      ment (such as laying cable or telephone lines, micro-  
14      wave towers, satellite dishes, amplifiers, and digital  
15      switching equipment).

16              (4) For construction, except that such funds  
17      may be expended for minor renovations relating to  
18      the installation of equipment.

19              (5) Expenditures for indirect costs (as deter-  
20      mined by the Secretary) to the extent the expendi-  
21      tures would exceed more than 20 percent of the total  
22      grant or loan.

23   **SEC. 512. ADMINISTRATION.**

24       (a) NONDUPLICATION.—The Secretary shall ensure  
25      that facilities constructed using financial assistance pro-



1 vided under this subtitle do not duplicate adequately es-  
2 tablished telehealth networks.

3 (b) LOAN MATURITY.—The maturities of cost of  
4 money loans shall be determined by the Secretary, based  
5 on the useful life of the facility being financed, except that  
6 the loan shall not be for a period of more than 10 years.

7 (c) LOAN SECURITY AND FEASIBILITY.—The Sec-  
8 retary shall make a cost of money loan only if the Sec-  
9 retary determines that the security for the loan is reason-  
10 ably adequate and that the loan will be repaid within the  
11 period of the loan.

12 (d) COORDINATION WITH OTHER AGENCIES.—The  
13 Secretary shall coordinate, to the extent practicable, with  
14 other Federal and State agencies with similar grant or  
15 loan programs to pool resources for funding meritorious  
16 proposals in rural areas.

17 (e) INFORMATIONAL EFFORTS.—The Secretary shall  
18 establish and implement procedures to carry out informa-  
19 tional efforts to advise potential end users located in rural  
20 areas of each State about the program authorized by this  
21 subtitle.

22 **SEC. 513. GUIDELINES.**

23 Not later than 180 days after the date of enactment  
24 of this Act, the Secretary shall issue guidelines to carry  
25 out this subtitle.

1 **SEC. 514. AUTHORIZATION OF APPROPRIATIONS.**

2       There are authorized to be appropriated to carry out  
3 this subtitle, \$25,000,000 for fiscal year 2000, and such  
4 sums as may be necessary for each of the fiscal years 2001  
5 through 2006.

○